

## Message Text

CONFIDENTIAL

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13

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AGR-20 EB-11 COME-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 USIA-15 NIC-01 SAJ-01 OMB-01

DRC-01 SAM-01 TRSE-00 /150 W  
----- 097572

R 120838Z JUL 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 1481

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY BANGKOK

ZNE/AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY RANGOON

AMEMBASSY ROME

AMEMBASSY SINGAPORE

AMEMBASSY VIENTIANE

AMEMBASSY CANBERRA

AMEMBASSY SAIGON

COMUSTDC

FBIS OKINAWA

CINCPAC

AMCONSUL BRISBANE

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 HONG KONG 7863

NOFORN

E.O. 11652: XGDS 1, 5B (1), (2)

TAGS: EAGR EIND ETRD CH

SUBJ: PEOPLE'S DAILY TARGETS STATE COMMERCE AND

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RURAL FREE MARKETS

REF: HK 6331; HK 7807

SUMMARY: IN ITS THIRD EDITORIAL OF THE CRITICISM CAMPAIGN DEVOTED MAINLY TO ECONOMIC MATTERS, PEOPLE'S DAILY HAS CARRIED THE CAMPAIGN INTO STATE COMMERCE AND ITS "IMPORTANT PIVOTAL ROLE" IN MEETING THE VEXING PROBLEMS OF STATE PROCUREMENT AND SUPPLY, RURAL MARKETS, SPECULATORS AND THE RISE OF SPONTANEOUS CAPITALIST TENDENCIES. THE SCHOOL-BOOK SOLUTION -- ALREADY USED IN ONE EXEMPLARY COUNTY -- WAS TO SEND LEADING CADRE DOWN TO THE GRASS ROOTS WHERE THEY "TIGHTENED MARKET MANAGEMENT AND STEPPED UP PROCUREMENT."

END SUMMARY

1. ON JULY 3, PEOPLE'S DAILY CARRIED ITS THIRD EDITORIAL OF THE CRITICISM MOVEMENT DEALING PRIMARILY WITH ECONOMIC MATTERS, THIS TIME WITH STATE COMMERCE. AS USUAL, IT WAS WIDELY REBROADCAST IN THE PROVINCES. REFLECTING THE NEED FOR FURTHER CONSCIOUSNESS-RAISING, IT SAYS PARTY COMMITTEES AT ALL LEVELS MUST FULLY REALIZE "THE IMPORTANT PIVOTAL ROLE OF COMMERCE" IN THE CITIES AND THE COUNTRYSIDE AND MUST "KEEP A FIRM HOLD ON COMMERCIAL WORK." LEFT TO RUN ITS OWN COURSE, COMMERCIAL WORK CAN NEVER BE SUCCESSFUL; THE REVOLUTIONARY VIGOR OF THE MASSES WILL NOT BE FULLY EXPLOITED, AND "CAPITALIST EVIL WINDS" WILL SPREAD. IN THE WORDS OF ITS TITLE, THE EDITORIAL EMPHASIZED THAT "THERE IS A BIG DIFFERENCE BETWEEN GRASPING AND NOT GRASPING." UNLESS CRITICISM IS DEEPENED, IT SAYS, NONE OF THE OTHER PROBLEMS CAN BE "PROPERLY SOLVED."

2. THOSE "OTHER PROBLEMS" INCLUDE SUCH REAL ONES AS GENERATING PEASANT ENTHUSIASM FOR STATE PROCUREMENT AND MARKETING (VICE SELLING ON THE RURAL FREE MARKETS) AND "FULFILLING PROCUREMENT AND SUPPLY PLANS ACCORDING TO SCHEDULE, QUALITY AND QUANTITY." "PARTICULARLY IMPORTANT" IS PROCUREMENT OF "GRAIN, OIL-BEARING CROPS, HOGS, POULTRY AND EGGS," ALL ITEMS FOR WHICH WE HAVE REASON TO THINK SUPPLY WOULD BE INSUFFICIENT TO SATISFY UNRATIONED DEMAND.

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3. THEY ARE ALSO ALL ITEMS WHICH THE PRC EXPORTS. A HINT THAT SEEKING TO MEET EXPORT DEMAND -- AS WELL AS INTERNAL CONSUMPTION -- IS PART OF THE PROBLEMS AND PART OF THE LEADERSHIP'S CONCERNS COMES IN THE EDITORIAL'S INJUNCTION TO HANDLE CORRECTLY THE RELATION BETWEEN COMMERCIAL DEPARTMENTS AND THE NATIONAL ECONOMY "IN ALL ITS ASPECTS." EARLIER, WE HAD HEARD OF A CENTRAL DIRECTIVE TO CUT BACK ON THE EXPORT OF DAILY NECESSITIES IN ORDER

TO MAKE MORE AVAILABLE DOMESTICALLY (HK 6331). THE HORNS  
OF THAT DILEMMA ARE CLEAR AND NOT EASILY RECONCILED,  
PARTICULARLY AS THE FOREIGN TRADE MINISTER IS PROJECTING  
ASSURANCES OF INCREASED EXPORTS (HK 7807).

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DRC-01 SAM-01 TRSE-00 /150 W  
----- 097242

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TO SECSTATE WASHDC 1482

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AMEMBASSY TAIPEI

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COMUSTDC

FBIS OKINAWA

CINCPAC

AMCONSUL BRISBANE

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 2 OF 2 HONG KONG 7863

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4. AN ACCOMPANYING INVESTIGATION REPORT ON HENG COUNTY IN KWANGSI PROVIDES OTHER CONCRETE EXAMPLES. CRITICIZING SUCH REVISIONIST FALLACIES AS "COMMODITY CIRCULATION  
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DECIDES PRODUCTION," COMMERCIAL WORKERS THERE OVERCAME THE CONCEPT OF DOING BUSINESS PURELY FOR BUSINESS' SAKE. IN JANUARY 1973, COMMERCIAL WORKERS WERE TOLD TO MANIPULATE PRICES AND THUS USE THE MARKET MECHANISM TO INDUCE AND REWARD QUALITY AND QUANTITY PRODUCTION (1973 ER 3, HK A-39). NOW THE TUNE HAS CHANGED, AND A GREATER STATE PROCUREMENT ACCORDING TO PLAN SEEMS TO BE EMPHASIZED. NOT ONLY DOES THIS INDICATE THE NEED FOR GREATER EFFORTS AT STATE PROCUREMENT (BECAUSE OF MATERIAL SHORTAGES?), BUT IT ALSO SUGGESTS A WILLINGNESS TO PERHAPS REDUCE THE INCOME OF AT LEAST SOME PEASANTS BY EFFECTING AT LEAST A RELATIVE REDUCTION IN THE AMOUNTS OF GOODS THEY CAN SELL AT THE HIGHER FREE MARKET PRICES. IDEOLOGICALLY THIS PROBLEM IS DESCRIBED AS CLASS STRUGGLE AND THE STRUGGLE BETWEEN TWO LINES IN THE RURAL MARKET, A SITUATION FRAUGHT WITH THE POSSIBILITY THAT "SPECULATORS WOULD WORM THEIR WAY IN AND SPONTANEOUS CAPITALIST TENDENCIES WOULD ARISE." THE SCHOOL-BOOK RESPONSE WAS TO SEND LEADING CADRES DOWN TO THE GRASS ROOTS LEVEL WHERE THEY "TIGHTENED MARKET MANAGEMENT AND STEPPED UP PROCUREMENT." IN A SHORT SUPPLY SITUATION COMMERCIAL WORKERS HAVE A ROLE TO PLAY ON THE DELIVERY SIDE AS WELL. THEY ARE TO ACT AS "PROMOTERS OF PRODUCTION" AND TO "EXPAND THE FLOW OF SUPPLIES (BOTH WAYS) BETWEEN THE CITIES AND THE COUNTRYSIDE." THEY ARE TO HELP COMMUNES AND BRIGADES FIND FERTILIZER RESOURCES AND TO REGULATE THE SUPPLY OF GOOD SEED STRAINS.

5. TAKEN TOGETHER, THE REPORT AND THE EDITORIAL CONSTITUTE AN UNSURPRISING CALL TO PUSH THE CRITICISM CAMPAIGN INTO RURAL MARKETS AND TO STEP UP STATE PROCUREMENT EFFORTS IN THE PROCESS. ACCORDING TO THE INVESTIGATION REPORT, THE LATTER EFFORTS SOMETIMES SLACKEN AS THE SITUATION IMPROVES. PERHAPS THE TIME HAD COME, THEREFORE, TO JACK UP THE COMMERCIAL WORKERS LEST THEIR EFFORTS SLACKEN ONCE AGAIN IN THE WAKE OF LAST YEAR'S BUMPER HARVEST AND THE CLAIMS OF GOOD RESULTS SO FAR THIS YEAR DESPITE ACKNOWLEDGED WEATHER PROBLEMS. OTHER FACTORS MAY INCLUDE RISING EXPECTATIONS IN THE WAKE OF THE 1972-73 WAGE INCREASES, SOME SHORTFALLS IN AGRICULTURAL AND LIGHT INDUSTRIAL OUTPUT, AND THE RESULTING NEED TO RESOLVE THE CONFLICT BETWEEN UNFULFILLED DOMESTIC DEMAND, AND INCREASED STATE  
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DEMAND IN ORDER TO SATISY EXPORT CONTRACTS AND PLANS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, MARKETS, ECONOMIC PROGRAMS, COMMERCE & INDUSTRY, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** shawdg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974HONGK07863  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** X1  
**Errors:** N/A  
**Film Number:** D740186-0791  
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**Handling Restrictions:** n/a  
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**Office:** ACTION EA  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** HK 6331; HK 7807  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 APR 2002 by shawdg>; APPROVED <26 FEB 2003 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PEOPLE'S DAILY TARGETS STATE COMMERCE AND CONFIDENTIAL  
**TAGS:** EAGR, EIND, ETRD, CH  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005